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Emergent Perspectives toward the Business Plan among Nascent Entrepreneur Start-Up Competition Participants

Abstract

Purpose

This paper examines how nascent entrepreneur perspectives toward the utility of the formal written business plan change before and after start-up competition participation. Such focus is pertinent and timely given the enduringly contentious matter of business plan creation for nascent entrepreneurs. Despite mounting criticisms, considerable resources continue to be expended on promoting the business plan within educative and start-up support provision; the globally ubiquitous start-up competition phenomenon provides a prominent example of such promotion.

Approach

In-depth open-ended interviews were undertaken with nascent entrepreneurs at the start, end, and six months after participation in a UK university-based start-up competition. An inductive thematic content analytical approach was taken to identify patterns across participant accounts at each wave of data collection.

Findings

Upon entering the competition, the nascent entrepreneurs held highly positive views toward the business plan, believing that it provided legitimacy and served as a means of sense-making. Immediately after the competition, views were more ambivalent, with the business plan viewed as secondary to action but remaining an external expectation. Six months after the competition, the business plan was viewed as underutilised and internally irrelevant; an unnecessary feature of an action-led approach and only useful when needed by external parties.

Originality and Value

Contributing to the limited body of start-up competition research, the enduring centrality of formal business plan production within competition provision is challenged given its limited relevance to the nascent entrepreneur beyond the competition context. Emphasis on business planning within a competition need not automatically require business plan creation; this has implications for business competition organisers.

Key Words: Business Plan Competition, Nascent Entrepreneur, Business Plan, Start-Up Competition

Introduction

With specific reference to business and new venture creation, a business plan (BP) can be defined as ‘a written document describing the current state and anticipated future of an organisation’ (Honig and Karlsson, 2004; p.29). In a BP document, a nascent entrepreneur seeks to provide an overview of a venture’s potential, describing its product(s)/service(s), presenting market research, offering marketing and sales plans, stipulating operational and implementation details and detailing financial projections (Bridge and Hegarty, 2013; Kraus and Schwarz, 2007; Hormozi *et al.*, 2002). Nascent entrepreneurs, either individually or as part of a team, are often strongly encouraged to write a thorough BP before implementing their venture (Watson *et al.*, 2018; Kraus and Schwarz, 2007; Delmar and Davidsson, 2000). However, the long-standing debate around the utility of BP production for nascent entrepreneurs continues (Garonne and Davisson, 2016; Gruber, 2007; Hannon and Atherton, 1998; Honig and Samuelsson, 2012).

Advocates of the BP deem it an enabling document which facilitates opportunity identification, resource acquisition and entrepreneurial learning as well as guiding reasoned decision making and behaviour; key constituents of the nascent business venturing process (Brinckmann *et al.*, 2010; Chwolka and Raith, 2012; Timmons and Spinelli, 2009; Kraus and Schwarz, 2007; Castrogiovanni, 1996). Furthermore, the BP serves as a tangible indication of entrepreneurial intent, legitimising the nascent entrepreneur to the outside world (Hormozi *et al.*, 2002). It is also viewed as conducive to small business performance and growth (Blackburn *et al.*, 2013). However, opponents of the BP plan view such thinking as misguided. To its critics, strong emphasis upon the BP serves as a normative pressure, detracts from action, and has limited utility and influence on venture performance post-creation (Bridge and Hegarty, 2013; Honig and Karlsson, 2004; Karlsson and Honig, 2009; Lange *et al.*, 2007). Problematically, debate around the BP is compounded by a tendency to conflate business planning with BP production (Hannon and Atherton, 1998). Despite mounting criticism of the BP, considerable resources continue to be expended on its promotion within educative and start-up support provision (Eschker *et al.*, 2017; Honig and Karlsson, 2004; Lourenço *et al.*, 2013). The globally ubiquitous start-up

competition (SUC) phenomenon provides a prominent example of such promotion (Lange *et al.*, 2007).

The creation of a formal BP is often a mandatory condition of SUC participation, justified on the basis of its ascribed importance beyond the competition. Problematically, the nascent entrepreneur's views toward the BP at the point of competition entry are not well understood; nor are the question of if and how such views change after the competition. This is symptomatic of a gap in extant research exploring the nascent entrepreneur's exposure to and attitudes toward BP-led competitions within a SUC context. Such competitions are predicated upon the idea that they meet the needs of their participants, which is of interest given the under-evaluation of start-up support interventions and potential misalignment between such interventions and the needs, including the learning needs, of those creating new ventures (Eschker *et al.*, 2017; Henry and Treanor, 2013; Barringer and Gresock, 2008; Vincett and Farlow, 2008).

The aim of this paper, therefore, is to explore how nascent entrepreneurs' perspectives on the utility of the formal written business plan change before and after SUC participation. The paper draws upon data collected in a longitudinal qualitative research study involving nascent entrepreneurs interviewed at the start, end, and also six months after their participation in 'BizComp', a UK university-based SUC. The research explored the participants' views toward the BP in light of their experiences of competition participation, through to venture implementation post-competition; seeking in-depth insights into attitudinal changes. This research found that at the start of the competition, the nascent entrepreneurs held positive views toward the BP; that it provided legitimacy and served as a means of sense-making. At the end of the competition, views were more ambivalent, with the BP seen as secondary to action but remaining an external expectation. Six months after the competition, views were more aligned with an anti-BP philosophy, with the BP viewed as unutilised, internally irrelevant, an unnecessary feature of an action-led approach and a reactionary endeavour undertaken in response to external demands. In light of these findings, the research challenges the relevance and enduring centrality of formal written BP production within SUC provision.

The paper proceeds to unpack the debate around the BP for the nascent entrepreneur and critically examines its presence within entrepreneurship education and start-up support provision. A conceptual framework is then offered, following which the approach used to elicit nascent entrepreneurs' views toward the BP is provided. Key findings are then presented, with discussion of these findings in relation to the extant literature offered. The paper concludes with a summary of its key contributions and implications.

Theoretical Considerations

The BP as a feature of nascent entrepreneurship

The pervasiveness of the view that nascent entrepreneurs should create and then implement a comprehensive formal written BP has led to the emergence of a whole industry promoting the agenda. Key industry stakeholders include venture capitalists, business angels, banks, universities, business development agencies and other consultancy bodies (Bridge and Hegarty, 2012, 2013). While much has been written espousing the virtues of the formal BP, others have argued for moving beyond it in favour of a more authentic, realist perspective on nascent business venturing (Watson *et al.*, 2018; Karlsson and Honig, 2009; Garonne and Davisson, 2016; Honig and Samuelsson, 2012). 'The crucial quandary entrepreneurs face before embarking on the perilous quest for venture success', Brinckmann *et al.* (2010; p.24) suggest, is 'whether to produce a business plan or if they should just storm the castle'. Aspects of this enduring debate are considered below.

The case for the BP

The popular promotion of the BP is heavily bound up in what Brinckmann *et al.* (2010; p.25) describe as the 'planning euphoria in the entrepreneurship domain'. Following the identification of a business idea, the production of a BP is often presented as an ideal outcome of the business planning process prior to new venture creation in practice (Barringer and Gresock, 2008). Conventionally, business planning is deemed as exerting a positive impact on venture development, progression, performance and goal attainment, and therefore as inherently beneficial (Castrogiovanni, 1996; Delmar and Shane, 2003; Gruber, 2007; Shane and Delmar, 2004). The logic underpinning the need to produce a BP is based upon the prediction of an expected future of the nascent venture through environmental

analysis, market research, forecasting and strategizing, so that uncertainty can be reduced (Watson *et al.*, 2015; Honig and Karlsson, 2004; Whalen and Holloway, 2012). It is viewed as an essential tool for accessing key external support for a venture (Daxhelet and Witmeur, 2011; Lange *et al.*, 2005; Hormozi *et al.*, 2002; Hannon and Atherton, 1998); for guiding, managing and monitoring decisions to progress the enterprise (Daxhelet and Witmeur, 2011; Kraus and Schwarz (2007); Hormozi *et al.*, 2002); and for facilitating nascent entrepreneurs and their new ventures (Kraus and Schwartz, 2007).

The amenability of the BP to evaluation and analysis makes it a particularly beneficial tool for 'key external supporters' as they try to decide whether the venture should be invested in or not (Bridge and Hegarty, 2013); it forms an essential first step in that decision-making process (Mason *et al.*, 2016; Mason and Stark, 2004; Streletzki and Schute, 2012). The BP is used as the basis for judging the strength of the opportunity, its funding potential and its prospective investor fit (Karlsson and Honig, 2009); hence enabling appreciation of financial issues, market issues and the human capital of those involved in a given venture (Mason and Stark, 2004; Mitteness *et al.*, 2012). It provides an important legitimising tool which demonstrates the nascent entrepreneur's credibility, seriousness and professionalism to potential external investors and members of wider support networks (Chwolka and Raith, 2012; Karlsson and Honig, 2009; Kraus and Schwarz, 2007; Honig and Karlsson, 2004). Developing the BP is also viewed as an essential entrepreneurial learning opportunity. Those advocating BP production view it as an essential first step in the nascent business venturing process, allowing the nascent entrepreneur to develop key entrepreneurial competencies (Tounes *et al.*, 2014; Lourenço *et al.*, 2013; Honig and Samuelsson, 2012; Mitra and Manimala, 2008; Wilson, 2008).

The case against the BP

Karlsson and Honig (2009) express scepticism about the utility of BP creation and its promotion as an essential part of the nascent business venturing process, stating that 'The usefulness of business plans for new ventures is seen as something as natural to many new firms as the fact that the earth was flat some 500 years ago' (p.27). As a tool for facilitating the nascent entrepreneur's learning, many view the power and importance of the BP as being overstated (Dexhelet and Witmeur, 2011;

Eschker *et al.*, 2017). The inclusion of the BP as a framework for entrepreneurial learning has been attributed more to ritual than the authentic needs of nascent entrepreneurs as aspiring practitioners (Honig, 2004; Honig and Karlsson, 2004; Whalen and Holloway, 2012). Taylor *et al.* (2004) suggest that as an outcome of entrepreneurship learning, being able to produce a BP does not mean that an individual has skills appropriate to actually establishing and running a venture. Opponents of the formal written BP as a precursor to nascent entrepreneurial action also suggest it has limited determining influence on performance (Lange *et al.*, 2007), success in pursuing support (Eschker *et al.*, 2017), venture profitability and persistence of nascent entrepreneurial endeavours (Honig and Karlsson, 2004) and on which nascent entrepreneurs will survive and thrive (Honig and Samuelsson, 2012). In challenging the merits of BP creation as a prelude to success, many suggest that successful nascent entrepreneurs often do not produce a BP before starting up and may never produce one (Bhide, 2000; Chwolka and Raith, 2012; Karlsson and Honig, 2009; Kraus and Schwarz, 2007).

Honig and Karlsson (2004; p.43) suggest that nascent entrepreneurs typically produce a BP not to improve performance or for broader instrumental reasons but due to pressure to 'conform to institutionalized rules' to produce a plan for the benefit of others (Hannon and Atherton, 1998; Karlsson and Honig, 2009). As Karlsson and Honig (2009; p.29) suggest, BP production becomes a 'symbolic act' which is rarely subsequently implemented. The reality of business venturing usually diverges radically from 'a plan'; this may become a source of anxiety for nascent entrepreneurs who can feel at fault for not following it (Bridge and O'Neill, 2013). Nascent entrepreneurs who have produced a BP often fail to refer to, update, or implement its content (Honig and Hopp, 2016); leading them to question its value (Honig and Karlsson, 2004; Lange *et al.*, 2007). Adherence to 'a plan' can be experienced as restrictive (Gately and Cunningham, 2014) and detrimental to the often intuitive and subjective character of the nascent business venturing process (Hannon and Atherton, 1998; Kraus and Schwarz, 2007; Whalen and Holloway, 2012).

The development of a BP represents 'big business' thinking; it is more appropriate for established enterprises and therefore not for nascent business venturing (Watson *et al.*, 2015; Bridge, 2013; Read *et al.*, 2011). Those questioning the value of the BP

for nascent entrepreneurs argue that it is only through seeing whether an opportunity works over time that feasibility can be assessed. For example, Sarasvathy (2004; 2008) offers an effectuation model which suggests that taking action based on 'who you are', 'what you know', and 'who you know' to create and exploit opportunities is more beneficial for the nascent entrepreneur than spending time undertaking extensive market research and devising sales forecasts, which are of dubious value. Similarly, proponents of 'lean start-up' challenge the value of BP production, emphasising business modelling developed and tested in the market and refined according to customer feedback as part of an organic and iterative process in which any planning undertaken is simplistic and practically orientated (DeNoble and Zoller, 2017; Blank, 2013).

To attempt to produce a BP in advance of implementation activity 'puts the cart before the horse' as many 'have to start before they can plan' (Bridge and O'Neill, 2013; p236). Lange *et al.* (2007) suggest that the emphasis should be on making the venture happen through action rather than making formal plans. Karlsson and Honig (2009) suggest that the time and effort the resources involved in producing a BP, would be more usefully spent on 'other useful activities such as looking for new customers or establishing good supplier relationships' (p.28). Positioning the BP as central to the nascent business venturing process inappropriately and unrealistically presents that process as systematic, linear, sequential and rationally ordered; a process which can be forecasted and controlled (Goel and Karri, 2006; Read *et al.*, Sarasvathy and Dew, 2005).

Research gap and conceptual framework

The debate surrounding the appropriateness of the BP in a nascent business-venturing context remains unresolved. As depicted in the conceptual framework contained in figure 1, a range of positive and negative views toward the BP within the context of new venture creation can be identified. Advocates of the BP see it as an enabling document facilitating the nascent business venturing process. Critics, however, point out how a strong emphasis upon formal BP production serves as a normative pressure, detracts from authentic action and has limited utility and influence on venture performance post-creation. Despite mounting criticism, considerable resources continue to be expended on promoting BP production within

educative and start-up support provision. The globally ubiquitous start-up competition (SUC) phenomenon, where BP production is often a mandatory condition of participation, is a prominent example of such promotion (Lange *et al.*, 2007).

-Insert figure one about here -

Positive and negative perspectives about the value of the BP, particularly within a SUC context, including as an aid to entrepreneurial learning and support, remain under-researched. There is limited evidence regarding how the nascent entrepreneur views the utility of the BP upon entrance to the competition, and how their views might differ immediately after the competition has ended and in the months after their participation. A particular focus of interest is the entrepreneurial learning afforded to nascent entrepreneurs through endeavours to progress implementation of their venture post-competition, where experiences can lead to new learning. Whilst it is well recognised that nascent entrepreneurs construct new perspectives through their endeavours to progress new venture creation, limited evidence can be found as to how this applies to the BP. Such observations inspired the aim of the current research, which is to examine how nascent entrepreneurs' perspectives toward the utility of the formal written business plan change before and after SUC participation. The achievement of this aim is guided by three research objectives (ROs):

RO1: To explore how the nascent entrepreneur regards the utility of the BP and its creation at the start of the competition programme.

RO2: To explore how the nascent entrepreneur regards the utility of the BP and its creation immediately after the end of the competition programme.

RO3: To explore how the nascent entrepreneur regards the utility of the BP and its creation six months after the competition programme.

Attention now turns to discussion of the approach taken to achieve these objectives.

Approach

The qualitative rationale

The paper utilises data collected during a longitudinal qualitative research (LQR) project that examined SUC participation and nascent entrepreneurs' experiences of

BP production. LQR is an approach which is valuable when exploring change (Saldana, 2003), particularly within the context of entrepreneurship and entrepreneurial learning (Galloway *et al.*, 2015). The emphasis LQR places on building temporality and prolonged engagement into the research process, through conducting multiple waves of data collection from the same sample of research participants, accommodated exploration of the viewpoints nascent entrepreneurs held toward the BP and how these might change over time (Calman *et al.*, 2013; Thomson and McLeod, 2015). These 'nuanced accounts' (Giæver and Smollan, 2015; p106) could then be linked to the nascent entrepreneurs' experiences of SUC participation and activities subsequently undertaken in the months following the end of the competition, exploring how these experiences might change the way the BP was viewed.

The limited understanding of nascent entrepreneurs' perspectives toward the BP within a SUC, and how perspectives might change in light of post-competition experience, made the adoption of a qualitative methodology appropriate, enabling the fine-grained examination needed to elucidate this phenomenon (Denzin and Lincoln, 2005; Gartner and Birley, 2002; Patton, 2002). The adoption of such a methodology accommodated a focus upon individual nascent entrepreneurs' perspectives toward the BP, as well as a recognition of the emergent nature of the nascent business venturing process and the learning afforded through participation in this process (Karatas-Ozkan and Chell, 2010; Rae, 2000). By extension, a qualitative methodology aligned appropriately with the constructivist philosophical underpinning of this work (Lincoln and Guba, 2013; Schwandt, 1998); namely, that how the nascent entrepreneur SUC participant views the BP is inherently dynamic and subject to change over time, as their entrepreneurial realities evolve in light of their experiences, both during SUC participation and subsequently (Lindgren and Packendorff, 2009).

Data selection, collection and analysis

BizComp2013, a university-based multidisciplinary SUC, was selected as the setting for the study and was used to provide a purposive sample of nascent entrepreneur SUC participants. This competition requires the production of a formal business plan

as a mandatory part of engagement. Further details about the competition programme are provided in table 1.

- Insert table one about here -

Seven participants in BizComp2013 engaged with the research, providing an intimate and purposeful sample, which is typical of LQR studies, allowing for greater in-depth insights to be achieved in the research (McLeod, 2003). A smaller sample size serves also to provide the depth needed to advance theory in otherwise previously underexplored research areas (Marlow and McAdam, 2013). It was also important that the intimate number of participants allowed for a deeper exploration of changing perspectives of participants toward the BP, both during the competition and subsequently. Table 2 profiles participants: it can be seen that as nascent entrepreneurs with no prior experience of new venture creation, there was a degree of heterogeneity in the sample as participants were from a range of disciplinary backgrounds and pursuing a variety of different ventures.

- Insert table two about here -

Given the exploratory nature of the research, in-depth interviews were employed to collect essential rich and detailed empirical data (Eisenhardt and Graebner, 2007; Siggelkow, 2007). As is common in LQR, the researchers conducted in-depth interviews on a repeat basis with the same sample over a period of nine months in recognition that ‘understandings, for both the researcher and researched, are incremental and recursive’ (McLeod, 2003; p.209).

Participants were interviewed at the start of, end of, and six months after the competition. Start-of-competition interviews enabled insights as to the nascent entrepreneurs’ perspectives toward the BP before BP production. End-of-competition interviews enabled participants’ perspectives to be elicited after the BP production as part of the competition experience. Interviewing six months post-competition, a point when there was temporal distance between participants and the competition and the production of the BP, enabled understanding of their perspectives toward the BP in light of any learning afforded through post-competition endeavours and the use (or not) of the BP previously created.

As well as facilitating the collection of data which was prospective rather than retrospective (Calman *et al.*, 2013), repeated in-depth interviews negated the need to rely upon participants' speculation as to what their future views toward the BP would be. Additionally, this method reflected how the BP might be viewed differently by nascent entrepreneurs at the end of the competition, given their experience of creating the BP and their experiences in the months following. The in-depth interview allowed for the capturing of changing perspectives toward the BP over time (Farrall, 2006; McLeod, 2003; Shaw, 1999) as the BP was a key topic for discussion during each wave of data collection. To facilitate dialogue, participants were asked the same open-ended question: 'What are your current thoughts toward the formal written BP and its creation?' A total of 21 interviews were undertaken over the three waves of data collection. Each interview lasted between 45 minutes and 1 hour 30 minutes, resulting in the production of 440 pages of transcribed data, which provided rich data for analysis.

Data were analysed thematically, using the principles set out by Braun and Clarke (2006). After spending time gaining familiarity with the transcribed data, the researcher manually assigned codes to segments of the data. These codes were derived from the data, but their identification was guided by the research question; that is, what views do nascent entrepreneurs hold toward the formal written BP and its creation? Examples of codes assigned to the start-of-competition dataset included '+being taken seriously'; '+accessing resources'; '+organising thoughts' '+setting goals'. Examples of codes assigned to the end-of-competition dataset included '+providing structure'; '-time consuming'; '-too predictive' '+needed by others'. Examples of codes assigned to the six-month-post-competition dataset included '-unrealistic'; '-quickly outdated'; '-not subsequently used'.

In order to search for themes, the researcher considered how different codes could be grouped together to form an overarching theme. This was an iterative process of review and refinement in order to achieve coherence. The eventual themes identified within the start-of-competition data were 'the BP as legitimacy' and 'the BP as sense-making'. The eventual themes identified within the end-of-competition data were 'the BP as secondary to action' and 'the BP as an external expectation'. Within the six-months-post-competition data, themes identified were: 'the BP as internally irrelevant', 'the BP as an unnecessary feature of an action-led approach', and 'the

BP as a means to an end'. A write-up of the thematic analysis is offered in the next section of this paper.

Findings

The aim of this paper is to explore how the nascent entrepreneur's perspective toward the formal written business plan changes before, during and after participation in a start-up competition (SUC) programme. The presentation of findings has been structured according to the three waves of data collection – namely, start of competition, end of competition and six months post-competition – and then by the themes identified in those datasets.

Start of Competition

The BP as a key to legitimacy. The creation and possession of a really solid business plan were deemed by all participants as essential for building their profile as a 'nascent entrepreneur'. Examples of words used to illustrate this included *vital* (Adam), *really important* (Kat) and *crucial* (Suzie). Producing a BP was seen as critical if business venturing success was to be achieved. Participants in the SUC had bought the idea perpetuated by influential 'others'; that production of a BP was *something that the business just needs to have* (Bea). Influential 'others' included in particular *university business advisors* (Suzie), *start-up support agencies* (Sam) and *banks* (Adam), but also *organisers of the current competition* (Bea and Dan). Possession of a BP was promoted to participants as a tangible statement of entrepreneurial intent and venture potential to external 'others' and, potentially, a key to accessing external resources to support future venture progression. The BP was viewed as critical to securing a positive investment decision, and the importance of demonstrating a strong financial trajectory was recognised;

We've got to be able to show [through the business plan] that we are going to generate a lot of money and that's going to encourage people to invest their time and money in us as well. (Mel)

Similarly, Adam acknowledged the importance of the BP to potential investors, stating that the BP enables them to *decide on where the business is going, how successful they think it could be*. Dan too saw the value of the BP in communicating the merits of himself and his venture idea to others, commenting that *being able to*

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3 *send a business plan, where actually it explains everything effectively, concisely, is*
4 *very helpful.*
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7 The findings at this stage appear to demonstrate how the nascent entrepreneur's
8 production of a BP is a demonstration of their commitment to new venture creation to
9 influential 'others'. Suzie, for example, viewed the BP as a means of demonstrating
10 *how serious* she was about making her venture happen. Dan similarly spoke of how
11 without a BP he might be observed as having *this spark of idea and nothing really to*
12 *go with it*. The heavy emphasis the nascent entrepreneurs in the research placed on
13 producing a BP for the benefit of others is in tune with Honig and Karlsson's (2004)
14 thinking that it addresses a desire to 'conform to institutionalised rules' (p.43).
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20 *The BP as sense-making.* All participants in the research placed strong emphasis on
21 setting goals to be achieved in order to realise their vision of new venture success.
22 Kat's suggestion that *I think it's really important always to be setting targets and*
23 *goals and have those in mind with everything that I'm doing* is typical of such
24 emphasis. In a similar way, Sam demonstrated the idea that the BP was a guide to
25 the nascent entrepreneur's decision making and behaviour in pursuit of goals by
26 stating:
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32 *The business plan will serve as a beneficial guide of where the business*
33 *needs to go over the next year, year and a half, so being able to set solid*
34 *milestones and look at exactly what we need to do to achieve everything.*
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37 (Sam)
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39 The nascent entrepreneurs in the research were expressing a confidence that a BP-
40 led approach would impose order on the entrepreneurial process and reduce it to a
41 series of manageable steps that when followed would provide fruitful direction to
42 their efforts. However, despite expressing the importance of having definitive targets
43 and the role of the BP in formalising these, Bea, Kat and Mel indicated that they did
44 not at that time have clear goals. All participants, however, considered that creating
45 a BP would enable their thoughts around their venture to become less abstract. Dan,
46 for example, stated that through writing a BP:
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52 *You can organise your thoughts, you can see what options you have, and*
53 *then you can start weighing up the options, rather than having all of this stuff*
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buzzing around inside your head. You've got it actually written down physically and then you can start going from that.

An emergent theme from the research emphasises the importance of the BP in facilitating the translation of ideas out of the head of the nascent entrepreneur and onto paper. The very action of writing the BP is identified as a discipline that can assist in entrepreneurial learning, helping the nascent entrepreneur to make sense of the inherent challenges of new business venturing and to make decisions accordingly. The BP as a tangible document is viewed as a foundation and guide for subsequent endeavours to progress the creation of the venture.

End of Competition

The BP as secondary to action. Immediately following the competition, the BP continued to be viewed by some participants (Bea, Suzie, Kat, Mel) as being necessary for the immediate progression of venture implementation. It was considered as a means of providing focus and direction to endeavours, but also a tool for benchmarking progress, as illustrated in a comment from Suzie;

It kind of gives structure to what your plans are, so you have everything in your head and you think, 'oh yes, I'll do this, and I'll do that,' but I think putting it down on a piece of paper, maybe sometimes you forget, and you think, 'wait a minute, what is it I'm actually trying to do?' And if you just read the business plan and you think, 'oh yes, that's what I'm actually trying to do.'

However, the BP was viewed as a static rather than emergent working document. Preference amongst all participants at the end of the competition was increasingly now for taking action to establish their ventures rather than expending precious time on updating or amending the BP any further. Dan, for example, queried whether it was *the best use of time* and Kat stated that *other things come and take priority*. The focus was on building a customer base and seeking sales in order to establish the viability of their new business. As energies were invested in action, critical perspectives emerged as to the value of historical predictions set out in the BP based on details such as forecasted sales. The usefulness of the BP in guiding decisions came into question. Suzie, for example, now expressed a view that predicting financial performance beyond a year in advance was *just grabbing*

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3 *numbers out of the sky.* Dan similarly suggested that he *struggled to see their value*
4 *as such predictions were very much a stab in the dark.*

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7 *The BP as an external expectation.* The BP was recognised by all participants in the
8 research as a document that would remain expected by those likely to consider
9 investing in a business venture. For example, as Kat stated about those organising
10 SUC:
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14 *They want to see that you've got a clear outline for the business, how you're*
15 *going to market things, how you're going to get people to know about it, and*
16 *also unique selling point, how you're different to everyone else.*
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19 Supporting the ideas of Castrogiovanni (1996), the BP is seen to serve as a means
20 by which to communicate an overview of the business and its operations and
21 finances to external parties so as to unlock investment resources as needed.
22 Research participants Sam, Adam and Dan suggested that their BP documents were
23 of limited use because they were not currently seeking the support of 'others' outside
24 the venture. Any change to that would dictate when the BP would be used, again
25 emphasising the view proposed by Lange *et al.* (2007) that pursuit of investment is
26 the only reason for BP creation. As illustrated in this comment from Sam;
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33 *For now it's just concentrating on the doing, unless we look for investment in*
34 *the future, when we would have to revisit the business plan.*
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37 The strong external obligation which drives BP production is an emergent theme in
38 the research to the extent that whilst external agencies require the BP to make
39 investment decisions, the nascent entrepreneur has no choice but, as Dan
40 suggested, to *do the business plan* and to devote time to it. Not to do so is viewed as
41 likely to prevent access to as yet unspecified opportunities. Henceforth, even when
42 not aligned with the nascent entrepreneur's worldview as being important, BP
43 production is viewed as of importance as an aspect of the new-venture-creation
44 game they are playing.
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46 47 48 49 50 *Six Months Post-Competition*

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52 *The BP as internally irrelevant.* Six months after the conclusion of the competition, all
53 of the nascent entrepreneurs in the research perceived the BP as being of limited
54 usefulness as they worked to develop their new ventures. There had been no
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attempts to update its content. Adam, for example, noted: *I think the business plan is festering somewhere on the computer*. Likewise, Dan suggested they had *probably deleted* their competition BP. Similarly, Bea stated:

*I haven't looked at the business plan produced for the competition. [Laughter]
I was just thinking when I was waiting out there, I was like, 'What happened to that business plan?'*

Participants considered, as Mel stated, that they had found *little purpose* in amending it. Only one participant, Kat, had referred back to their BP, compelled to do so *for curiosity's sake and see what it was that I put in there*. The redundancy of these BPs to the nascent entrepreneurs who had produced them only six months earlier places a question, as suggested by Bridge and Hegarty (2013) and Honig and Karlsson (2004), over the promotion of BP production as an apparently essential activity to be pursued within nascent business venturing. Reflecting the views of the other participants that the emphasis on BP production as an essential first step in nascent business venturing was out of sync with the nature of their venture implementation endeavours and how these had subsequently unfolded, Dan stated:

It [the BP] doesn't seem as relevant for start-up because the whole of the rate of change and the progress is so quick. The amount of information you have available changes almost daily. Customers can change very quickly as well. So all of this stuff changes so fast, and a business plan is a very static document. It basically doesn't represent start-ups very well.

With the benefit of six months of business venturing practice, all participants now viewed the BP as redundant given the extent, pace and unforeseen nature of change experienced, and they questioned the process they had engaged in to produce it. Venture implementation had not gone to plan, and experiential knowledge learnt through implementation could not have been known by the nascent entrepreneurs at the point of producing their BP. Such insights tune into those of Lange *et al.* (2007) that perhaps producing a BP prior to any implementation may be a misjudgement.

Through their subsequent venture implementation efforts, participants in the research had come to learn that the goals contained in the BP were unrealistic. Suzie, for example, suggested that a key objective in her plan was to *go wholesale immediately* but then learned that this would take longer and be more resource

intensive than anticipated. Appreciation of the need to be realistic also came across strongly with regard to the financial projections underpinning the BP, with the learning afforded through venture implementation reinforcing these as misleading and overly ambitious or cautious. Here, again, we find the idea that an entrepreneur needs to actually run the business before being able to make predictions that have any substance, as suggested by Read *et al.* (2011).

The BP as an unnecessary feature of an action-led approach. All participants spoke of favouring an inherently action-led rather than BP-led approach to the implementation of their ventures. A typical comment reflects this point:

Because it is still the early stages, a lot of people think that it's more important to have a business plan, but we literally just dive into it, and then just see what happens. I think if we had a business plan, we'd be like, 'Oh, but we can't do this because we said we were going to do this,' so I think it's better for us just to be more flexible, also it would just take up too much time to sit and have to constantly change the business plan. (Bea)

Adherence to a BP can be seen here to promote inflexibility and take time which could otherwise be used more effectively to, as Dan suggested, *just get out there and do it*. Such an approach was viewed by participants in the research as being less cautious and more intuitive than a BP-led approach, putting more emphasis on *seeing how things go* (as suggested by Adam) rather than *sitting around talking, researching and producing plans* (as suggested by Mel). Consistent with the ideas of DeNoble and Zoller (2017) and Bridge and Hegarty (2013), the views expressed here challenge the conventional wisdom that expending time updating and then closely adhering to a BP is important for nascent business venturers. That said, all of the nascent entrepreneurs in the research recognised the importance of business planning as a process and that they needed to engage with viewing the BP as a static output of that process. However, this planning was shorter term and more informal: Kat, for example, suggested *usually in terms of what I'm doing next week or month rather than year*. Dan, reflecting on the value of the formal written BP he had produced six months earlier, stated:

There's a lot of planning that goes on in terms of me at my whiteboard going, right, what do I need to do, how do I roll it out and all of that sort of stuff. So

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3 *there is planning involved and I'm not putting it down, the actual planning of*
4 *how you do these things; it's just the plan in my mind is a timeline rather than*
5 *a business plan document.*
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8 The output of planning emerged as being specific to individual nascent
9 entrepreneurs and their venture needs. The preference was for shorter-term, more
10 informal planning which gave the nascent entrepreneur a sense of greater ownership
11 and management over a fast-moving, dynamic planning process. For example, Mel
12 stated:
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17 *We've got objectives and stuff, we've got a shorter-term strategy that we want*
18 *to follow, and we'll keep track of what we need to keep track of in terms of*
19 *finance but for us, we know where we're at. We know what's changed. I think*
20 *it would be a waste of time sitting putting it down on paper when we already*
21 *know it.*
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26 *The BP as a means to an end.* Despite being superseded by shorter-term informal
27 business planning guided by business implementation endeavours, production of a
28 formal written BP was still considered by participants in the research, as Bea
29 suggested, as *something that we will probably need to do again*. This possibility was
30 acknowledged as likely when pursuing investment opportunities (Sam), entering
31 other competitions (Bea), selling the business (Kat), or starting to grow (Mel). The
32 BP created for the competition, however, was now seen by participants as
33 something only produced because it was expected by those organising the business
34 competition they had entered. As Dan stated, *producing a business plan was*
35 *something that I needed to do because the competition expected it*. Similarly, Mel
36 commented, *the business plan was 100 per cent something we just produced for the*
37 *competition, I don't think we would have done one otherwise.*
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46 Consistent with the views of Karlsson and Honig (2009), it would appear that
47 participants in the research felt an undue pressure to produce a formal BP which in
48 hindsight may have done little to prepare them for the reality of nascent business
49 venturing, and that BP creation serves as a symbolic act in response to external
50 demands.
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Conclusions

This paper provides new understanding as to how the nascent entrepreneur's perspective toward the utility of the formal BP is not static, but rather evolves during and after participation in a SUC programme. Such understanding is timely given the enduring debate around the importance of the BP within nascent entrepreneurship, and also the limited understanding of the nascent entrepreneur perspective, particularly within the context of SUC participation.

Contributions

The following contributions can be offered in relation to the research objectives:

RO1: To explore how the nascent entrepreneur regards the utility of the BP and its creation at the start of the competition programme. At the beginning of the competition, the BP was unanimously regarded as being highly useful both internally and externally in pursuit of new venture creation success. In terms of its internal utility, the BP was viewed as an integral feature of the approach being taken to new venture creation, advantageously guiding decision making and action. With regards to its external utility, the BP served as a public statement of entrepreneurial intent, which authenticated the participants to others outside of the venture as credible nascent entrepreneurs. Moreover, it communicated venture potential so that the resources needed to progress start-up could be procured.

RO2: To explore how the nascent entrepreneur regards the utility of the BP and its creation immediately after the end of the competition programme. At the end of the competition, the nascent entrepreneurs displayed more ambivalent views toward the internal utility of the BP and the presence it would assume internally within continued venture implementation endeavours. Dependence on predictions limited the internal utility of the BP content. BP production and subsequent refinement was recognised as a resource-intensive endeavour which detracted from action to progress venture implementation. Despite a change in the internal utility of the BP, its external utility remained unchanged. The expectations of others would dictate future utilisation of the BP.

RO3: To explore how the nascent entrepreneur regards the utility of the BP and its creation six months after the competition programme. Six months after the competition, further retreat in how the nascent entrepreneurs understood the internal

utility of the BP was found. The BP was viewed as redundant within the venture implementation endeavours which had taken place since the competition had concluded. Experiencing such endeavours had afforded understanding that the BP had been unrealistic given the pace, extent and unforeseen nature of changes which had subsequently taken place in implementing the venture. BP creation, and subsequent refinement, remained recognised as a resource-intensive endeavour which detracted from action to progress venture implementation. The formal BP was now viewed an unnecessary outcome of the internally more useful endeavour of iterative business planning. BP creation was understood as only being necessary when expected by others or a given situation, thus serving as a reactionary endeavour undertaken in response to external demands.

-Insert figure two about here-

As is depicted in figure 2, a change in understanding toward a perception of reduced utility of the formal written BP and its creation could be observed in the nascent entrepreneur SUC participants over the nine-month study period. This was in line with the experiences of venture implementation and subsequent learning over this time. Whilst the formal written BP was initially viewed as being of high worth internally, there was a clear transformation in perspective after and beyond the competition: it had become viewed as less useful. The change in understanding away from the internal utility of the BP paralleled a shift in approach to new venturing being pursued in practice; namely, the preference for an action-led, rather than BP-led, approach. Although nascent entrepreneurs' understanding of the internal utility of the BP had changed, perspectives toward the external utility of the BP remained consistent. Henceforth, there was an enduring understanding that the BP serves a necessary function to meet the expectations of others outside of the venture, so that the nascent entrepreneur is able to obtain resources to support continued new venture creation.

The contributions of this work pose a number of theoretical and practical implications, from which recommendations can be offered.

Implications and recommendations

For theory. This research provides a new perspective toward the utility of the formal BP within the context of nascent entrepreneurship. It is proposed that perspectives

toward the usefulness of BP change as the nascent entrepreneur experiences and learns from their venture implementation endeavours, whereby the BP becomes understood as less useful than was envisaged at the start of the entrepreneurial journey.

For SUC provision. This research raises questions about the central presence of the BP within the competition agenda. Chiefly it questions whether this is the most appropriate mechanism around which to base a competition, and moreover prompts consideration of what the BP adds to the competition as an authentic entrepreneurial learning experience. The rationale which appears to underpin the presence of the BP within a SUC appears to reside in a view that this is a document which is needed by the nascent entrepreneur. Thus, the competition experience is offered as being a valuable opportunity to develop such competencies which will then have pertinent usage, and applicative benefit, beyond the competition context. Such an assumption should be challenged.

The formal BP is overemphasised relative to the importance attached to it by the nascent entrepreneur within their post-competition experience, where there is limited need for it in routine implementation activity. The broader ramification here is that what those organising competitions deem to be needed by the nascent entrepreneur, and what the nascent entrepreneurs themselves suggest they need beyond the competition, are subject to a degree of disconnect in the longer term. This provides a situation where the presence of the BP could be less about the longer-term needs of the nascent entrepreneur, and more about meeting the needs of competition requirements. It is recommended that competition organisers should be explicit about why they are promoting the production and judgement of the BP within their competition programmes. If this is to enable the experience of preparing a BP, then this should be clearly communicated to prospective participants. However, there is also a need to be upfront that the BPs produced may have limited utility beyond the competition context.

Given the aforementioned usage and importance attributed to the BP as a document by the nascent entrepreneur, the research raises the possibility that a BP-centric competition might not sufficiently represent the action-led way by which venture implementation progresses. It is considered that continuing to promote the BP

undermines the way in which competitions might enhance the affordance of relevant experience and appropriate capabilities for venture implementation. Moreover, this could be promoting a one-sided view of the importance of the BP, which could be misleading to those with limited prior experience and practical understanding of entrepreneurial new venturing. It is recommended that competition organisers take a more balanced view toward the BP and recognise its contentious nature. Alternatives to the BP could be valuably explored; looking to effectuation and lean start-up could provide some inspiration. It is queried whether the time that competitions require their participants to spend producing comprehensive BPs that may have limited utility post-competition could not be better utilised; it is recommended that more emphasis be placed on the outcomes of the actions taken to progress venture implementation within the competition process.

For nascent entrepreneurs. This research reinforces scepticism about the utility of formal comprehensive BP creation for nascent entrepreneurs who are not in pursuit of investment opportunities. Henceforth, nascent entrepreneurs are encouraged to resist any obligation to such a BP for internal use and instead to interrogate their own personal rationale for producing a BP before doing so. Business planning is important to nascent entrepreneurs' implementation endeavours; however, it does not need to result in a comprehensive and formal written BP. Less formal documenting of business planning activities could be more appropriate and less resource intensive. The time expended on formal BP creation may be better spent testing ideas and gaining traction in the market. Nascent entrepreneurs should also be aware that whilst a BP produced for the purpose of a SUC might provide practice in producing a BP, but it may not provide a BP relevant beyond the idiosyncratic requirements of that context.

Limitations and suggestions for further research

Inevitably this research is not without limitations. The current study can be deemed small scale in nature and its findings should be viewed in such a light; no claims of representativeness or generalisability are made. Whilst a small sample size was necessary given the explorative emphasis, it is recognised that there is a need to examine the applicability of the findings in a larger-scale study with a bigger sample

of participants and ideally across educative and start-up support programmes that use the BP as a guiding framework. Additionally, it should be recognised that the results could have been influenced by the nature of the student/graduate nascent entrepreneurs who participated. These could be seen as having been deemed as their universities' strongest entrepreneurial talents, thus warranting their selection to participate in the SUC.

There is potential to use the theoretical proposition offered in this work – that is, that the meanings ascribed by the nascent entrepreneur to the BP change over time – to guide further research. It would also be useful to understand the rationale which guides providers of SUCs and other entrepreneurship education and start-up support programmes to promote BP creation within their provision.

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Positive		Negative
<div>The BP as...<ul style="list-style-type: none">• a statement of entrepreneurial intent• reducing uncertainty• facilitating resource acquisition• an expectation• a communication tool• providing entrepreneurial learning• activity shaping• an organisational tool• an ideal outcome of the business planning process</div>	<div>Views toward the BP as a feature of nascent entrepreneurship</div>	<div>The BP as...<ul style="list-style-type: none">• having limited influence on venture performance• a normative pressure• having limited usage or amendment post production• misrepresenting the entrepreneurial process• resource consuming• detracting from action• no evidence of comprehensive business planning</div>

Figure one: Conceptual Framework

Competition Aim	Participants and entry criteria	Competition Format & Process	Education and Training Opportunities attached to the competition	Formal Mentoring Opportunities Included	Judging Panel	Focus of judgement	Judging Criteria	Awards/Prizes
To encourage and sustain entrepreneurial activity amongst the university communities of an entrepreneurially lagging UK region	<p>Competition open to current undergraduate, postgraduate and research students but also recent [<2yrs] graduates from any discipline currently trying to start an independent business either as an individual or part of a team</p> <p>Participants selected by their university for entrance to the competition. Each of the five regional universities afforded two entries.</p>	<p>Business plan and pitch Competition</p> <p>July 2013: Participant confirms competition entry by way of submitting a one page executive summary of their business proposition</p> <p>August 2013: Participant required to attend a pitching training event</p> <p>September 2013: Participant required to submit 40 page formal business plan document</p> <p>Participant delivers 5 minute pitch presentation to judging panel</p> <p>October 2013: competition concludes with grand finale event where the competition outcome is revealed prizes are awarded</p>	<p>Mandatory practice your pitch training event</p> <p>No business plan preparation training</p>	No	Not openly specified	Final Business Plan document and 5 minute pitch presentation of the business plan	<p>Quality of business plan and pitch</p> <p>No further judging criteria stated</p>	<p>Three categories of award:</p> <ol style="list-style-type: none"> 1. General award - £500 cash prize 2. Creativity and Design award - £500 3. Overall winner - £5000

Table one: Overview of BizComp2013 programme

Participant Name* [*pseudonyms assigned]	Gender	Age	Ethnicity classification	Educational Status	Main product/service	Time since becoming a nascent entrepreneur	Prior experience of new venture creation?
Sam	M	23years	White British	Recent graduate of Computer Games Programming bachelors degree at a post-92 higher education institution	A b2b mobile application and games development company	11months	N
Bea	F	26years	White British	Studying for a MA in PR at a post-92 higher education institution	PR agency specialising in traditional and new media	1month	N
Suzie	F	27years	Chinese British	Final year PhD student studying for doctorate in the area of physical organic chemistry at a red brick higher education institution	Handcrafted luxury confectionary	3months	N
Adam	M	21years	White British	Recent graduate of a Politics and Economics BA (hons) programme at a redbrick higher education institution	Produces boxes of household essentials which are marketed to new students	12months	N
Kat	F	23years	White British	A second year drama and photography undergraduate student at a post-92 higher education institution	Performing arts school for children aged 5-16	10months	N
Mel	F	24years	White British	Studying for a MA in PR at a post-92 higher education institution	PR agency	1month	N
Dan	M	21years	White British	Final year undergraduate student studying for a BSc in Economics at a red brick higher education institution.	Mobile application which enables health professionals to remotely prescribe physiotherapy exercises to patients.	4months	N

Table Two: Research Participant Characteristics

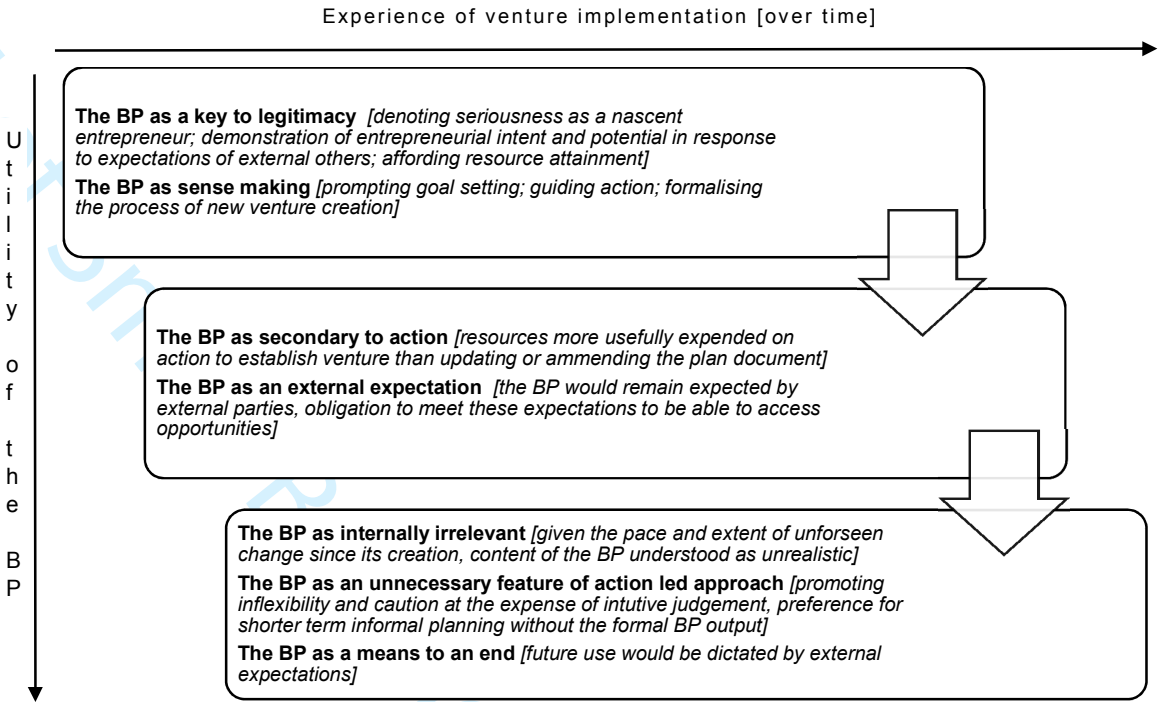


Figure two: Emerging perspectives toward the Business Plan among nascent entrepreneurs